



**GOOD CORPORATE GOVERNANCE IN
SEE REGION:
DO TRENDS BECOME NECESSITY ?**

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CORPORATE GOVERNANCE IN ROMANIA

NEW DEVELOPMENTS

NEW PROVISIONS OF COMPANIES' ACT TO ENHANCE GOOD CG

- Modifications effected in 2006 and 2007 in the Companies' Act provide both for individual and dual management systems

In the individual system:

- One or more members of the Board of Directors (BoD) should be independent;
- The Act provides for independence criteria;
- The BoD may create consultative audit, nomination and remuneration committees;
- At least one member of such committees should be a non-executive independent director;
- Members of the BoD should act in good faith, prudently and with the diligence of a good director;
- Any director may ask the company's managers information on the daily management of the company;

CORPORATE GOVERNANCE IN ROMANIA NEW DEVELOPMENTS

NEW PROVISIONS OF COMPANIES' ACT TO ENHANCE GOOD CG

- Company's managers are requested to inform, on a regular basis, the BoD on any action taken or to be taken;
- Managers are responsible in the same extent as the directors for acting loyally to the company

In the dual system:

- Members of the Supervisory Board and Management Board have similar obligations as those of the BoD and managers in the individual system;

CORPORATE GOVERNANCE IN ROMANIA NEW DEVELOPMENTS

PROVISIONS OF CAPITAL MARKET ACT TO ENHANCE GOOD CG

- New Capital Market, adopted in 2004 to answer the EU accession process, is harmonized 80/90% with the EU legislation;
- Listed issuers should ensure equal treatment for all shareholders who hold the same position;
- Listed issuers should ensure all the necessary facilities and information to enable shareholders to exercise their rights and, in particular, they must:
 - a) inform shareholders with respect to the holding of general meetings and enable them to exercise their voting rights;
 - b) inform the public with respect to the allocation and payment of dividends, the issue of new shares, including allocation, subscription, renunciation and conversion arrangements;
 - c) designate as its agent a financial institution through which shareholders may exercise their financial rights, unless the issuer itself provides financial services.

CORPORATE GOVERNANCE IN ROMANIA

NEW DEVELOPMENTS

PROVISIONS OF CAPITAL MARKET ACT TO ENHANCE GOOD CG

- Directors of listed issuers should report as soon as possible any related party transaction amounting at the equivalent in RON of 50,000 euro;
- The reports on related party transaction should include, in a special chapter, the documents concluded and/or their amendments and should refer to the following details:
 - the parties which concluded the legal document/contract;
 - the date and the nature of the document/contract;
 - the total value of the document/contract;
 - mutual claims, guarantees, payment terms and conditions.
- The reports should include any other relevant information to determine the effects of such contracts on the issuer's financial position.

CORPORATE GOVERNANCE IN ROMANIA NEW DEVELOPMENTS

PROVISIONS OF CAPITAL MARKET ACT TO ENHANCE GOOD CG

- Members of the Board of Directors in a listed company may be appointed by cumulative voting;
- When requested by a significant shareholder (10% of the share capital or voting rights) such appointment is compulsory;
- In a company where cumulative voting applied, the BoD should consist in at least 5 members;
- Any decisions taken by the BoD of a listed company in the delegation of powers by the shareholders extraordinary meeting, should have the same publication regime as the decisions of such meeting;
- Dividends should be distributed in, at latest, 6 months from the shareholders general meeting announcing them;
- Whenever the share capital is increased by cash contributions, the pre-emptive rights may be suspended only when decided by an extraordinary general meeting attended by at least $\frac{3}{4}$ of the number of shareholders, which votes account for at least 75% of the voting rights.

CORPORATE GOVERNANCE IN ROMANIA NEW DEVELOPMENTS

PROVISIONS OF CAPITAL MARKET ACT TO ENHANCE GOOD CG

- The shareholders of a listed company who disagree a merger or a spin-off, involving the allocation of shares which are not listed on a regulated market are entitled to withdraw from the company and to obtain from the latter the c/value of the shares in accordance with the provisions laid down in the Companies' Act (NAV/share);
- The shareholders access to the general meeting should be allowed by simply proving their identity, either by their identity document or by a proxy;
- The breach of such rule gives the right to any interested person to ask, in court, the annulment of all the decisions of the respective general meeting;
- With the exception of the company's directors, any shareholder may be represented in a general meeting by other persons than a shareholder, on a special proxy;

CORPORATE GOVERNANCE IN ROMANIA NEW DEVELOPMENTS

PROVISIONS OF CAPITAL MARKET ACT TO ENHANCE GOOD CG

- Whenever a general meeting is convened by the company's significant shareholders, the BoD members are obliged to include on the agenda all the topics specifically requested.
- The general shareholders meeting documents or information regarding the topics included on the agenda are made available by the company, at least 5 days prior to such meeting, on its own web site or at its headquarters;
- The BoD members are obliged to convene a general shareholders meeting in such a way as to be held at the first or second calling upon within a month from the date it was requested, at latest.

CORPORATE GOVERNANCE IN ROMANIA

NEW DEVELOPMENTS

BUCHAREST STOCK EXCHANGE RULEBOOK

- Issuers should include in their Annual Report a “Comply or explain” Statement for the compliance/non-compliance with the BSE Corporate Governance Code provisions;
- In case of non-compliance, the issuer must provide a detailed explanatory note;
- The reporting of “Comply or explain” Statement applies as of January 1, 2008.

BSE NEW CORPORATE GOVERNANCE CODE

BACKGROUND

- BSE had a CG Code ever since August 2001;
- The Code was implemented on a quasi mandatory basis;
- The implementation of the Code and T+ Tier failed;
- The changes in capital market industry and EU accession requested for a new approach;
- The final version of the new BSE CG Code was sent for issuers' public consultation in January, 2008 and a roundtable debating on their comments/suggestions and proposals should take place soon;
- The formal new BSE CG Code is due end May, at latest.

BSE NEW CORPORATE GOVERNANCE CODE

CONTENTS

- 11 Articles, 19 Principles and 41 Recommendations;
- Art. 1 – THE SHAREHOLDERS’ RIGHTS
- Art. 2 – THE ROLE AND DUTIES OF THE BOARD
- Art. 3 – COMPOSITION OF THE BOARD
- Art. 4 – APPOINTMENT OF DIRECTORS
- Art. 5 – REMUNERATION OF DIRECTORS
- Art. 6 – TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL
AND RISK MANAGEMENT
- Art. 7 – CONFLICTS OF INTERESTS AND RELATED PARTIES
TRANSACTIONS

BSE NEW CORPORATE GOVERNANCE CODE

CONTENTS

- Art. 8 – TREATMENT OF CORPORATE INFORMATION
- Art. 9 – CORPORATE SOCIAL RESPONSIBILITY
- Art.10 – CORPORATE GOVERNANCE FRAMEWORK
- Art.11 – TWO TIER AND ONE TIER MANAGEMENT AND CONTROL SYSTEMS

DO TRENDS BECOME NECESSITY ?

- **Globalization is forcing the trends to become a necessity in all the aspects of the capital markets industry;**
- **EU accession for both newcomers in the internal market as well as for the candidate countries requires for a level playground;**
- **Cross listings and cross trading require if not identical at least similar rules;**
- **Corporate Governance becomes more and more a key issue;**
- **Good Corporate Governance Standards and good enforcement are an outstanding plus.**

THANK YOU !

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